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SENSITIVE
SIPDIS

STATE PASS USAID AFR/SD FOR CURTIS, ATWOOD AND SCHLAGENHAUF
STATE PASS TO USTDA-PAUL MARIN, EXIM-JRICHTER
STATE PASS TO USTR-LAURIE-ANN AGAMA
STATE PASS TO OPIC-BARBARA GIBIAN AND STEVE SMITH
STATE FOR EEB/ESC/IEC/ENR-DAVID HENRY, CBA
STATE PASS TO S/CIEA-DAVID GOLDWYN AND MICHAEL SULLIVAN
JOHANNESBURG FOR JASON NAGY
USDOE FOR GEORGE PERSON AND THOMAS SPERL
TREASURY FOR ANTHONY IERONIMO, ADAM BARCAN
DOC FOR 3317/ITA/OA/BURRESS AND 3130/USFC/OIO/ANESA/REED

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SUBJECT: S/CIEA GOLDWYN ENCOURAGES STRENGTHENING TRANSPARENCY
INITIATIVES IN NIGERIA'S EXTRACTIVE INDUSTRY

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SUMMARY

1. (SBU) Promoting transparency in Nigeria's energy industry was a centerpiece of U.S. Coordinator for International Energy Affairs (S/CIEA) David Goldwyn's visit to Nigeria November 9-11. Goldwyn met with the Nigerian Extractive Industry Transparency Initiative (NEITI) Chairman Professor Assisi Asobie and NEITI stakeholders to discuss the findings of NEITI's most recent audit report (2005) and the challenges and opportunities for strengthening transparency initiatives in Nigeria. Goldwyn congratulated Nigeria for having the NEITI process up and running with the involvement of stakeholders and civil society organizations. The NEITI Chairman identified lack of GON capacity and lack of GON cooperation with oil producers in furnishing data as major hurdles, while also praising the Yar'Adua administration for not having pressured NEITI so far. The Chairman said the political will to fight corruption remains shallow without executives of agencies and parastatals translating Presidential declarations into action. The U.S. Coordinator urged NEITI and civil society organizations to work together in devising and conducting an effective communication and advocacy strategy for the implementation of NEITI's audit recommendations. Goldwyn also raised transparency issues in his meetings with government officials throughout the trip. END SUMMARY.

CHAIRMAN ASOBIE DISCUSSES NEITI'S 2005 AUDIT REPORT

2. (SBU) U.S. Coordinator for International Energy Affairs, David Goldwyn (S/CIEA) exchanged views with Chairman of the Nigerian Extractive Industry Transparency Initiative (NEITI) Professor Assise Asobie on strengthening transparency and good governance in the Nigerian extractive industry on November 9. The discussions started with Asobie outlining the outcomes of NEITI's recently released 2005 audit report on the Nigerian oil and gas sector. (Note: NEITI, established in 2004, has conducted two audits: a combined one for

1999-2004 and a stand alone one for 2005. End Note). Asobie noted that the findings of the 2005 audit were sIQbW4m the most important findings of the 2005 audit report as lack of Department of Petroleum Resources (DPR) capacity to monitor and account for oil production and revenue flows; lack of capacity by the Central Bank of Nigeria (CBN) and the Nigerian Federal Inland Revenue Service (FIRS) to reconcile revenue and production figures; lack of cooperation by federal agencies and Qand production figures; lack of cooperation by federal agencies and oil producers to share oil production and financial data; and discrepancies between data maintained by the DPR and oil producers.

He complained that the Nigerian National Petroleum Corporation (NNPC) and other GON entities frequently did not attend NEITI meetings and sent low-level staff members when they did attend.

14. (SBU) Asobie said NEITI plans to conduct road-shows to publicize the outcomes of its 2005 report and engage the public, an important validation criterion under the Extractive Industry Transparency Initiative (EITI) guidelines. Goldwyn queried if NEITI has a communications plan to make this happen and Asobie replied that no plan existed. Goldwyn said that effective communication remained vital not only to get the 2005 audit report validated but also to garner public support for NEITI's overall work. He recommended that NEITI devise a simple communication plan and embark upon its implementation. Asobie said NEITI is also exploring the possibility of expanding its activities into the solid minerals sector, given that each Nigerian state is blessed with such resources.

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IMPLEMENTING AUDIT RECOMMENDATIONS

15. (SBU) Goldwyn urged NEITI to focus on pressuring the government and other stakeholders to implement its audit recommendations. Incorporation by the Petroleum Industry Bill (PIB) of most of NEITI's recommendations validated their importance. He suggested that NEITI use the PIB to push the GON into action on the recommendations. He said the DPR should demand the required data from the companies that it regulates. Goldwyn encouraged NEITI to lobby the GON for a specific budget for training of DPR staff and purchase and installation of metering devices at well-heads, flow stations, and terminals to monitor spillage and prevent theft. He suggested sending a report to the Federal Executive Council recommending installation of metering devices within a specified period. Goldwyn encouraged NEITI to hold discussions on metering devices both to show how such equipment can help fight spillage and theft but also to press the GON to act upon NEITI's recommendations on installing more devices. Implementing the NEITI recommendations would improve compliance with EITI requirements and help NEITI validate of its 2005 audit. Goldwyn promised to raise NEITI'S concerns in his subsequent meetings with various GON stakeholders and industry representatives.

POLITICAL WILL TOO SHALLOW TO MAKE A DIFFERENCE

16. (SBU) Asobie said he sees the GON's political will on transparency as too shallow unless agency and parastatal executives translated Presidential declarations on transparency into action. Lack of a strong political opposition does not encourage the government to respond to pressures for more openness. The government is likely to yield to public pressure as the 2011 national elections approach, so civil society organizations need to be more creative and consistent to get results, according to Asobie. He said the Yar'Adua administration has not pressured NEITI up to now, perhaps because the audits conducted so far have covered periods before this government came to power. Asobie said the 2006-08 audit report, which could be conducted in 2010, will be a real test of the administration's commitment to the EITI process.

NEITI SHOULD EXPAND TO STATES AND REACH OUT TO LABOR

¶7. (SBU) Goldwyn asked if states took up transparency initiatives. Asobie responded that NEITI worked with Bayelsa State to introduce transparency initiatives into the state's revenue and expenditure structure. NEITI then planned to replicate the model in other states. He reported that Kwara State Governor and Chairman of the Nigerian Governors Forum Bukola Saraki has requested a presentation on NEITI's activities to the Governor's Forum, and NEITI hopes to use that platform to promote the idea to the rest of the nation's governors.

¶8. (SBU) Goldwyn inquired about NEITI's relations with the labor unions. Asobie replied that labor unions have not been too interested in NEITI's work to date because they have been engaged in narrow fights over wage and benefit increases for their members. He noted that professional associations, such as the lawyers' association, are not supporting organizations like NEITI in the fight against corruption. Goldwyn encouraged NEITI to reach out and work with labor unions and professional associations, as both wield significant clout within civil society.

ROUNDTABLE WITH CIVIL SOCIETY ORGANIZATIONS

¶9. (SBU) Goldwyn held a roundtable discussion on the NEITI process with leaders of civil society organizations (CSO), Chairman Asobie, and the World Bank's NEITI Coordinator on November 10. Goldwyn

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opened the discussion by stating that energy security represented a core element of U.S. foreign policy and inviting attendees to air their opinions on how the U.S. can help foster transparency and good governance in Nigeria's oil and gas sector. Comments ranged from lack of GON commitment to the NEITI process to lack of capacity within the NEITI Secretariat and the CSOs themselves. Attendees complained that the NEITI Act of 2007 gave the President of Nigeria too much power, including appointing the CSO representative and the rest of the NEITI governing board. One organization complained about the lack of gender balance on NEITI's governing board (only one female out of 15 members) and said that unless gender equality is instituted real progress cannot be achieved. Some CSOs doubted GON political will and commitment to transparency and good governance and said the GON should desist from politicizing federal agencies such as the DPR and FIRS by appointing politically connected people who lack requisite qualifications. One CSO asked what the U.S. is doing to help the NEITI process.

¶10. (SBU) Goldwyn responded that, as a follow-up to Secretary Clinton's August visit to Nigeria, the U.S. and Nigeria are developing a Bi-national Commission to collaborate on transparency issues, among others. He added that the U.S. has committed \$6 million in 2008 and 2009 to strengthen EITI initiatives globally, which will help NEITI and the CSOs to build their capacity. Goldwyn gave the attendees credit that the NEITI process is up and running and that stakeholders and CSOs are on board with the process. He advised them to build on this momentum and achieve results by working together on a common communications and advocacy strategy to implement NEITI recommendations. Asobie encouraged CSOs to exert their influence on the NEITI process by actively participating as observers in the National Stakeholders Working Group (NSWG). The World Bank representative discussed the various capacity-building measures it is implementing for all stakeholders, including the CC3\QQi
Sec. Dr. Ochi Achi Niuv said the Ministry's budget office had good cooperation with NEITI and praised the results of the first audit. He was non-committal on the budgetary issue.

COMMENT

¶12. (SBU) Goldwyn's engagement with NEITI and the CSOs in a single forum promoted frank exchanges and useful discussions among these partners. His rapport with NEITI and the CSOs, stemming from his previous work as consultant, enabled the USG to convey important

Qprevious work as consultant, enabled the USG to convey important messages for promoting transparency and good governance in this resource-rich and important country. The Mission hopes the interaction between NEITI and the CSOs will lead to greater trust and improved partnership. NEITI's plans to venture into the solid minerals sector, while still saddled with three years of delinquent audits, might be an unnecessary distraction at this point. END COMMENT

113. (U) This cable has been cleared with S/CIEA.

SANDERS